MONEY HOUSE

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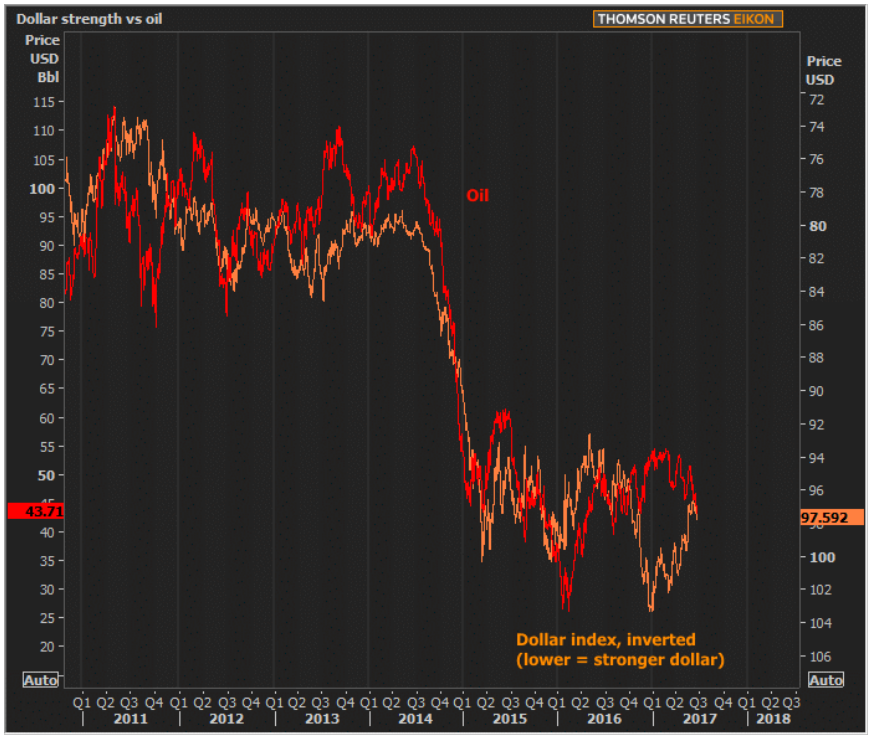
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The Day Ahead: Oil's Impact on Markets: a Slippery Slope

Here we are again with oil falling into new lows for the year and suddenly, it's the inspiration for everything according to most mainstream financial media. Slippery puns aside, don't fall for it!

Sure, oil prices matter. And they can even have varying levels of impact on stocks and bonds--exactly as the mainstream financial news claims. But there is **quite a wide range** of variation, and it's been far from consistent over time.

One of the biggest issues is that the watershed moment for oil in late 2014 and early 2015 **wasn't all about oil.** It was just as much about European QE (which was a battle during late 2014 and finally enacted in early 2015). Massive expansion of monetary policy in Europe that coincided with potential contraction in the US had profound effects on currency valuations. The dollar was strengthening rapidly and oil, of course, is dollar-denominated. Absent any other inputs, the change in currency valuations alone would have had a huge impact on oil prices. The first chart shows the big moves in late 2014.



MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.85	+0.03
10 YR Treasury	4.9022	-0.0277
30 YR Treasury	5.2698	-0.0384

Pricing as of: 11/2 8:59AM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

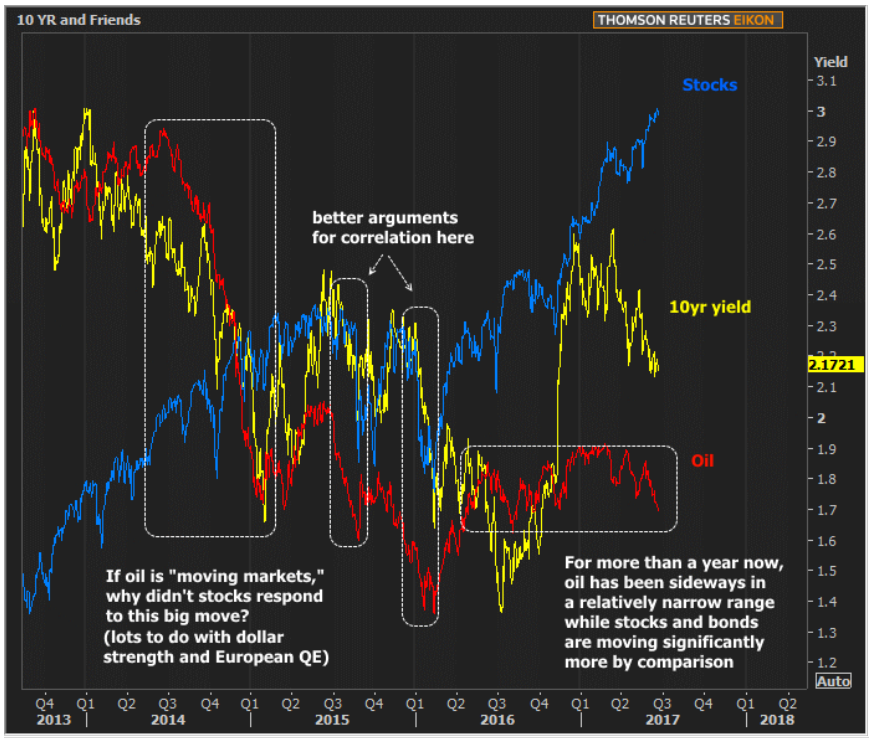
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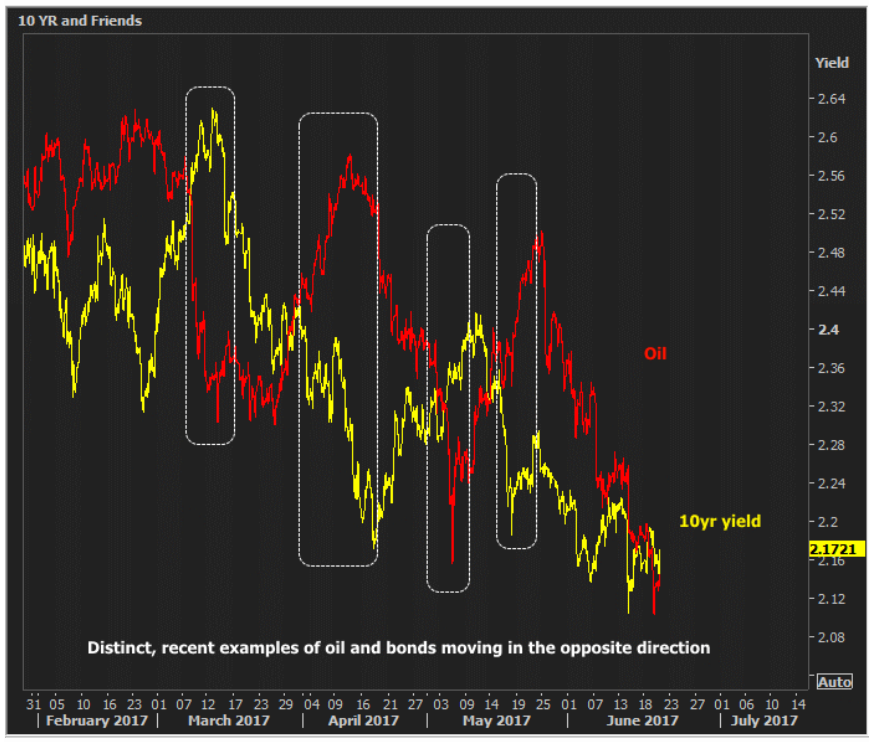
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One of the reasons the currency story didn't get as much attention as oil was that american consumers (who also "consume" financial news) **can relate much better** to fuel prices than they can to the various esoteric considerations associated with European QE. Even many traders were slow to appreciate the massive, glacial certainty of EU QE's impact.

Still, markets hang on to the oil narrative as an explanation for market movements **far more than is warranted**. Granted, there are actual periods of correlation, and of course, oil will have some undeniable impact on inflation at some levels. But it just doesn't have a good track record of reliably moving markets. In fact, it might have a better record as a contrary indicator.





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All that to say that oil isn't necessarily the big story today, even though **there will certainly be more headlines** this morning (inventory data comes out at 10:30am). Before that, we'll get Existing Home Sales at 10am, expected to come in at 5.55m vs 5.57m previously. If this report shows similar deterioration to other recent home sales data, it could have a sobering effect on markets (positive for bonds and negative for stocks), but in general, it takes a very big beat/miss in home sales data for such effects to be clearly seen.

In the bigger picture, bonds continue trading in a sideways range between 2.14 and 2.19 with today's highs being 2.177% so far. We're **waiting for a distinct break** above 2.21/2.22% or below 2.13% before getting too excited about the next bout of momentum.

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Our Goal is to help our Wholesale Partners grow their business.

Let our highly experienced reverse mortgage team help your company grow its HECM business.

Chris Munson

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